



U.S. Department of Housing and Urban Development

Atlanta Multifamily Property Disposition Center
Five Points Plaza
40 Marietta St.
Atlanta, Georgia 30303-2806
<http://www.hud.gov/local/fmfpdispo.htm>

December 27, 2001

ALL RESIDENTS OF BRICK TOWERS

Dear Resident:

The Department of Housing and Urban Development (HUD) acquired title to Brick Towers via deed-in-lieu of foreclosure on February 9, 2000.

We notified the office of the Mayor, the Newark Housing Authority (NHA), and the New Jersey Housing and Mortgage Finance Agency of their Right of First Refusal to make an offer to purchase the property on February 23, 2000. In a letter dated March 7, 2000 HUD received an expression of interest from the NHA, at which time HUD entered into negotiations with them for the sale of Brick Towers. On October 10, 2001 HUD executed a Contract of Sale with the NHA for the sale of Brick Towers.

It is anticipated that the transfer of title from HUD to the NHA will occur in January, 2002. The NHA's plan calls for relocating all current Brick Towers residents to alternative, decent, safe and sanitary housing in order to be in a position to demolish the two existing towers. Brick Towers is currently kept affordable with the assistance of project-based Section 8. In accordance with HUD policy, all income eligible families and individuals will be provided with portable Section 8 Vouchers and the NHA will assist all residents in locating new housing.

The NHA's plan is to merge the Brick Towers site with the adjacent Stella Wright site and construct new, affordable housing on the combined site. All current residents of Brick Towers will be provided with a Right of First Refusal opportunity to apply for admission to the newly constructed housing if they so desire. It is our understanding that the NHA has met with the residents of Brick Towers on several occasions throughout the sales negotiation process to keep you apprised of their plans for Brick Towers.

A copy of our disposition plan is available for inspection and copying in the rental office. Copies of the supporting documentation are available for inspection and copying in the New Jersey State Office of HUD located at One Newark Center, 13th Floor, Newark, New Jersey.

It is requested that you send your written comments on the disposition plan to the address listed below within 10 days of the date of this letter; or you may call Greg Karns in our Pennsylvania State Office at (215) 656-0500 ext. 3351 (this is not a toll free number). The telephone number for the hearing impaired (TTY) is (215) 656-3452. You may also call Walter Kreher in the New Jersey HUD Office at (973) 622-7900 ext. 3400.

U.S. Department of HUD
The Wanamaker Building
100 Penn Square East
Philadelphia, PA 19107-3380

Very sincerely yours,

Ms. C.J. Johnson

cc William H. Melvin
Director
Atlanta Multifamily Property
Disposition Center

DISPOSITION RECOMMENDATION

Project: Brick Towers
FHA Nos.: 031-94002

I. HISTORY

The Department of Housing and Urban Development (HUD) took ownership and control of Brick Towers via deed-in-lieu of foreclosure on February 9, 2000. On becoming owner, HUD assigned Brick Towers to its contract property manager, ARCO Management, who have managed Brick Towers since that time. HUD also commissioned a comprehensive repair survey of Brick Towers to identify the rehabilitation needs of the buildings and surrounding grounds. Our preliminary analysis of the repair needs and the cost of operating the property led us to the conclusion that it did not appear to be economically feasible to repair the two towers to the standards established in the comprehensive repair survey.

On February 23, 2000 HUD sent Right of First Refusal notifications to purchase Brick Towers to the Mayor of Newark, the Newark Housing Authority (NHA), and the New Jersey Housing and Mortgage Finance Agency. The NHA responded to that notification in a letter dated March 7, 2000 expressing a desire to purchase Brick Towers. HUD entered into negotiations with the NHA for the sale of Brick Towers, which culminated in the execution of a Contract of Sale on October 16, 2001 between HUD and the NHA. The NHA is scheduled to take title to Brick Towers in January, 2002.

II. KEY PROVISIONS OF THE PLAN

NHA's plan is to relocate all residents of Brick Towers to alternative, decent, safe and sanitary housing. The Contract of Sale obligates the NHA to assist current residents in locating suitable replacement housing. All current income eligible residents of Brick Towers will be provided with portable Section 8 Vouchers in order to ensure that any new housing is affordable.

Although the Contract of Sale permits rehabilitation or demolition, we have been advised by the NHA that it is their intention to demolish the two existing towers. After demolition, the NHA plans to merge the Brick Towers site with the adjacent Stella Wright Homes site and build new affordable replacement housing on the

combined sites. All current residents of Brick Towers will be given a Right of First Refusal opportunity to apply for admission to the newly developed housing if they so desire.

III. RENTAL ASSISTANCE

Brick Towers is currently kept affordable with project-based Section 8. In accordance with current HUD policy all income eligible families and individuals will be provided with portable Section 8 Vouchers after title is transferred to the NHA. The Section 8 Vouchers will provide residents with an opportunity to choose where they live; an opportunity they do not presently have with project-based Section 8. The portion of income that current Brick Towers residents pay towards their share of the rent should not change as a result of the conversion from project-based Section 8 to Section 8 Vouchers, or as a result of the transfer of ownership from HUD to the NHA. Current residents will be given the opportunity to apply for readmission to the newly built housing and may continue to use their Section 8 Vouchers if they choose to return.

IV. UP-FRONT GRANT

HUD will provide up to \$40,000 per rebuilt or rehabilitated unit in connection with the sale of Brick Towers from HUD to the NHA. The total amount of the Up-Front Grant from HUD is not to exceed \$12,800,000 and may be used to assist with the costs of relocation, demolition, rehabilitation and rebuilding. A portion of the Up-Front Grant funds may also be used to offset some of the operating losses incurred by the NHA after they take title to the property. The balance of funding to redevelop the combined Brick Towers and Stella Wright sites, estimated to be between \$50,000,000 and \$60,000,000, must come from other sources.

V. SUMMARY

HUD proposes to sell Brick Towers to the Newark Housing Authority for a nominal price and to provide an Up-Front Grant to assist with its redevelopment. It is the intention of the Newark Housing Authority to combine the Brick Towers site with the adjacent Stella Wright Homes site and redevelop the combined sites with newly constructed, affordable replacement housing. The Newark Housing Authority has agreed that the newly constructed, replacement housing will remain affordable for a minimum period of twenty-five

(25) years as part of the consideration for the reduced sales price and Up-Front Grant.

All current Brick Towers residents will be assisted by the Newark Housing Authority in locating alternative, decent, safe and sanitary replacement housing to accommodate the redevelopment. All income eligible families and individuals will be provided with portable Section 8 Vouchers after the transfer of title from HUD to the Newark Housing Authority to ensure the affordability of replacement housing. All current Brick Towers residents will be given a Right of First Refusal to apply for admittance to the redeveloped sites.